

Memorandum



Date: January 20, 2005

Supplement No. 2 to
Agenda Item No. 7J(1)R

To: Honorable Chairman Joe A. Martinez
and Members, Board of County Commissioners

From: George M. Burgess
County Manager

A handwritten signature in black ink, appearing to read "Burgess", written over the printed name of George M. Burgess.

Subject: Supplement to the Proposed Amendment to People's Transportation Plan and
Accompanying 2004 Pro Forma Update

This supplement is presented in response to concerns raised during Committee consideration of the proposed amendment to the People's Transportation Plan (PTP) and accompanying December 2004 Pro Forma Report.

The December 2004 Pro Forma update highlights the fact that a financial plan is very much a living document. As described by Miami-Dade Transit's (MDT's) financial advisor, Public Financial Management (PFM), the Pro Forma is necessarily based on a number of assumptions. While many of these assumptions are subject to influences that may be beyond our control, they are nonetheless both reasonable and critical components to a responsible forecast for the implementation of the PTP. For example, expectations on the receipt of federal and state matching funds or the adoption of future fare increases are key assumptions that are uncertain at this time. However, as we look to the future of our transit system, and the fiscal health of the department that supports it, these are assumptions that must be made in order to base that system on a sound financial footing and facilitate the complex planning that lies ahead.

Critical to that planning is the acceptance of the concept of an integrated transit system that responsibly funds both existing transit services and the planned improvements of the PTP. The chronic under-funding of transit systems nationwide is well known, and the problem has been historically no less severe at MDT. Cutbacks in federal transit assistance and competing priorities for limited General Fund revenue at the local level forced MDT for a number of years to resort to one-time revenues to balance its annual budget. Leverage lease deals and other one-time revenues were used by MDT in 1997, 1998, 1999, and 2001. By the end of Fiscal Year (FY) 01-02, the department had to borrow from the future FY 02-03 federal allocation funds to balance the budget. At that time, the County had counted on, but was not able to close on, anticipated one-time lease/leaseback agreements for the Metrorail guideway and the Metromover system. Such a transaction was thought to generate as much as \$60 million and would fund the acquisition of buses and subsidize operating expenses for both FY 00-01 and FY 01-02. Such transactions never materialized and, in the interim, the County did not cut transit service and MDT closed FY 01-02 with a \$23.9 million deficit, establishing a receivable against FY 02-03 federal funds.

With the passage of the half cent sales surtax referendum in November, 2002, the department embarked on the expansions promised in the PTP. As detailed in the accompanying 2004 Pro Forma update, MDT is on schedule (and even ahead of schedule) in delivering on those promises. However, the historic gap in operational costs persists. Since FY 02-03, the

department's budget has included support from the surtax for existing services. This concept was also reflected in the original Pro Forma of July 2002 accompanying the surtax, the December 2003 Pro Forma, and the December 2004 Pro Forma. The combined amount for FY 02-03 and FY 03-04 is \$40.5 million. However, the only amount that was not included in the December 2003 Pro Forma was the \$23.9 million for FY 01-02. This is why the memorandum accompanying the PTP amendment explains the impact on the surtax as a \$23.9 million negative and \$103 million positive. The only new impacts to the Pro Forma since the issuance of the December 2003 Pro Forma report are the \$23.9 million deficit from FY 01-02 and the accompanying \$103 million infusion of new funds as a result of the accrual of the \$2 million increase to the maintenance of effort (MOE) over 30 years. Both of these new impacts have been included in the December 2004 Pro Forma.

Currently, the estimated support for existing services for years 2001-02 through 2011 is:

2001-02	23.9 million
2002-03	18.5 million
2003-04	22.0 million
2004-05	24.2 million
2005-06	24.8 million
2006-07	16.2 million
2007-08	10.5 million
2008-09	(2.8) million (parentheses indicate a positive balance)
2009-10	3.2 million
2010-11	2.3 million
Total	142.8 million

As can be seen from the above, the surtax support for existing services continues to decrease until the support trend is reversed and the general fund MOE supports not just existing services but provides excess funds in support of the new integrated system. This continues from FY 2011-12 through FY 2029 for a total general fund subsidy of approximately \$610 million. After that, since there are no new fare increases in the December 2004 Pro Forma after 2017, the revenues do not keep up with the expenditure growth and the surtax once again contributes to the support for existing services. The end result after thirty years is that the general fund contributes approximately \$350 million to the integrated system above and beyond support for existing services. Again, by the end of 30 years, the sales surtax has not only subsidized existing service as envisioned in the original Pro Forma of July 2002, but, in fact, the general fund has contributed approximately \$350 million to the PTP above and beyond its support of existing service. This clearly illustrates that any support for existing services from the surtax over the life of the Pro Forma far outweighed by the subsidy provided by the existing system to the expanded system during the life of the Pro Forma. It is for this reason that support for existing services is more properly viewed as a loan –a fronting of funds while the annual increases of 3.5 % on the revised general fund MOE, and 1.5% on the Local Option Gas Tax (LOGT) contribution to MDT accrue.

And while the net impact to the surtax based on the projections and assumptions of this 2004 Pro Forma is on balance a positive figure, I want to reiterate the fact that this figure is based on assumptions. I have committed to this Board in the past that the Pro Forma will be updated annually, and this process will be critical to future projections for support from the surtax. Assumptions in the 2004 Pro Forma update that do not materialize will be corrected annually, and these corrections will certainly affect some of the figures forecasted today. Any variations from anticipated levels of support will be clearly delineated in future Pro Forma reports and in the MDT annual budget.

The benefits to our unified transit system that will flow from the adoption of the proposed amendment have been highlighted in my accompanying memorandums; now I want to outline what the options are for MDT if this amendment is not adopted. Below is a sampling of the areas we would review to obtain the necessary savings:

- Service cuts in the order of \$20 million plus per year on Metrobus would be required system-wide. This translates to annual cuts of approximately 3.5 million annualized revenue miles of bus service. If the reductions were taken only from service that existed prior to the surtax referendum, there would be significant impacts to the network. Examples are as follows:

4 routes would be discontinued in their entirety:

- Route 152 between downtown Coral Gables and South Miami
- Route 57 (along SW 57 Avenue)
- Route 236, the Airport Owl, provides late night and overnight service connecting Miami International Airport, Little Havana, Miami Beach and Allapattah
- Route 241, the North Dade Connection, serving Miami Gardens, Florida Memorial College and numerous areas in North Central Miami-Dade

5 routes would have their alignment shortened or have certain trips not operate along the entire alignment:

- Routes 3/16 (along Biscayne Boulevard)
- Route 3 (in the Aventura area)
- Route 21 (between Northside and Bunche Park)
- Route 62 (to/from Miami Beach)
- Route 77 (half of the trips north of Golden Glades)

38 routes would have their frequencies reduced to frequency levels provided prior to the surtax referendum. Examples are:

- Route 42 on LeJeune Road currently operates every 30 minutes connecting Miami International Airport to residential areas in Coconut Grove, Hialeah, Opa-locka and North Dade. With the service cut, the service would revert to the service that existed prior to the Surtax Referendum -every 60 minutes.
- Route 6, providing service primarily to senior citizens in central Miami-Dade and the City of Miami, currently operates every 30 minutes. With the service cut, the

service would revert to the service that existed prior to the surtax referendum - service every 60 minutes.

- Route E, providing service across the northern portion of the County from the Ocean to Miami Lakes enabling residents of Opa-locka and Bunche Park to reach employment centers in Miami Lakes and the Beaches, would have its peak period reduced from half-hourly to hourly as it existed prior to the surtax referendum.
- If service were to be reduced on Metrorail, the headways would be increased from those existing prior to the surtax referendum. Midday service, which was every 15 minutes and is now every 10 minutes, would be provided every 20 minutes. On the weekends, where service was improved from every 20 minutes prior to the surtax referendum to every 10 minutes, would revert to every 30 minutes.
- Concurrent to the service cuts would be cuts to staff. Specifically, mechanics and operators would no longer be required in the numbers presently employed by MDT, along with their supervisors and administrative and planning staff.
- Cuts would also be made to existing Paratransit/Special Transportation Services (STS). Federal law ties the Paratransit service area to that of the fixed route; STS would therefore experience parallel cuts.
- Fare increases beyond those called for in the current Pro Forma would be recommended for FY 05-06 and future years.
- All other contracts that impact existing service would be reviewed and cut back as necessary.

Just as critical as any of these cuts would be the impact to the planned corridor projects of the PTP. These service cuts would bring a heightened level of scrutiny the Federal Transit Administration (FTA). Miami-Dade County would be ill-served to present itself as a transit property where service is on the decline. Receipt of a Full Funding Grant Agreement (FFGA) is unlikely in such a scenario.

Approval of this amendment by the Board does not represent reneging on the promises of the PTP; it represents a responsible step towards the fiscal health of our transit system and a greater commitment to the realization of the promises of the PTP through the escalations in General Fund support to the revised MOE memorialized by this amendment. We are in a position now, thanks to the support of the surtax, to finally create a truly metropolitan transit system that will continue the growth and prosperity that this County presently enjoys.



Assistant County Manager